

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00

CIAE-00 DODE-00 PM-07 INR-10 L-03 NSAE-00 NSC-07

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FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 2066

INFO AMEMBASSY LONDON

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E. O. 11652: N/A

TAGS: ETRN, WB, WG

SUBJECT: CIVAIR - RENTS AND FEES AT BERLIN AIRPORTS

REF: A. BONN 3374, B. BERLIN 302, C. BONN 2347

1. SUMMARY. PROBLEM OF BERLIN AIRPORT COMPANY (BFG) REQUEST FOR INCREASED LANDING AND PARKING FEES AND RENTALS, AS WELL AS SHIFT IN METHOD OF COLLECTING THE PASSENGER SERVICE CHARGE HAS COME TO A HEAD AGAIN. PAA AND BA OPPOSE THE INCREASES AND MAKE THE CASE THAT TO ABSORB THE ADDITIONAL COST WOULD WIPE OUT A SIGNIFICANT PART OF THEIR GAINS THROUGH THE FEBRUARY PASSENGER FARE INCREASE. FONOFF, HOWEVER, IS PRESSING THE CIVIL AIR ATTACHES FOR APPROVAL IN VIEW OF ALLIED AGREEMENT TO GIVE PROMPT AND SYMPATHETIC CONSIDERATION TO THE BFG'S APPLICATION WHEN THE FRG CONCURRED IN THE IGS FARE INCREASE LAST FEBRUARY. FONOFF SEEMS MORE CONCERNED IN OBTAINING ADDITIONAL INCOME FOR BFG, THEREBY REDUCING THE BFG'S NEED FOR FEDERAL SUPPORT THAN IN PRESENT OR FUTURE IMPACT ON PASSENGER FARES. ACTION

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REQUESTED: THE EMBASSY SUGGESTS A POSSIBLE COMPROMISE

AND REQUESTS THE DEPARTMENT'S VIEWS.

2. DURING THE PAST TWO MONTHS, CAA'S HAVE OBTAINED VIEWS OF PAA, BA AND MODERN AIR TRANSPORT ON THE IMPLEMENTATION OF THE PROPOSED NEW FEES AND RENTALS. CAA'S HAVE ALSO STUDIED IN SOME DETAIL THE BFG PROPOSALS. WITHOUT GOING INTO ALL THE COMPLEXITIES, THE GIST OF THE APPLICATION IS AS FOLLOWS:

(A) LANDING FEES FOR COMMERCIAL AIRCRAFT ON IGS

FLIGHTS:

INCREASE FROM DM 7.00 TO DM 8.50 PER 1000
KILOS.

ANNUAL COST TO PAN AM - DM 1.8 MILLION.

ANNUAL COST TO BA - DM 930,000.

(B) LANDING FEES FOR INTERNATIONAL FLIGHTS:

INCREASE FROM DM 7.00 TO DM 11.00.

NOTE: AFFECTS PRINCIPALLY BERLIN CHARTER OPERATIONS. COST TO MODERN AIR FOR EACH LANDING WOULD INCREASE BY 57 PERCENT FROM DM 805.00 TO DM 1,265.

(C) PARKING FEES:

FROM DM 1.40 TO DM 2.00 PER 1,000 KILOS PER
HOUR.

ANNUAL INCREASED COST TO PAN AM - DM 144,000.

ANNUAL INCREASED COST TO BA - DM 72,000.

(D) RENTAL INCREASE OF AVERAGE OF 33 1/3 PERCENT
FOR AIRPORT AREAS.

ANNUAL INCREASED COST TO PAN AM - DM 144,000.

ANNUAL INCREASED COST TO BA - DM 66,000.

(E) PASSENGER SERVICE CHARGE:

INCREASE FROM DM 5.00 PER HEAD TO DM 5.55
AND SHIFT IN COLLECTION METHOD.

ANNUAL INCREASED COST TO PAN AM - DM 67,000.

ANNUAL INCREASED COST TO BA - DM 35,000.

3. THE TOTAL ESTIMATED ANNUAL COST TO THE SCHEDULED CARRIERS AND TO MODERN AIR OF THE ENTIRE BFG PACKAGE
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IS AS FOLLOWS:

PAN AMERICAN - DM 2.15 MILLION.

BRITISH AIRWAYS - DM 1.1 MILLION.

MODERN AIR TRANSPORT (CHARTERS) - DM 1.2
MILLION.

4. THE MOST RECENT INCREASE IN BERLIN LANDING AND
PARKING FEES WAS AUTHORIZED IN JULY 1971 AT THE TIME

OF A FARES INCREASE. ON THAT OCCASION, THE IGS SCHEDULED CARRIERS WERE AUTHORIZED BY THE ALLIES AN ADDITIONAL AMOUNT BEYOND THE PERCENTAGE FARE INCREASE TO COVER THE INCREASE IN FEES PAID TO THE BFG. RENTALS WERE LAST INCREASED (BY 33 1/3 PERCENT) EFFECTIVE JANUARY 1, 1973. THE THRUST OF THE BFG ARGUMENT FOR FURTHER INCREASES IS THAT PERSONNEL AND OTHER COSTS HAVE RISEN IN BERLIN (AND THE FRG) AND THAT WITH FEES

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AND RENTALS AT CURRENT LEVELS, THE BFG IS NOT COVERING ITS OPERATING EXPENSES. THE DEPARTMENT MAY RECALL, HOWEVER, ANOTHER REASON WHY THE BFG, THE SENAT AND THE FRG WISH TO MAXIMIZE BFG EARNINGS, NAMELY THEIR DESIRE TO RECOVER THE HIGH COST OF CONSTRUCTING THE TEGEL SOUTH TERMINAL. FRG AND THE SENAT OFFICIALS RESPONSIBLE FOR CIVIL AIR MATTERS ARE OF THE VIEW THAT LANDING AND OTHER FEES AND RENTALS IN BERLIN, AND IN PARTICULAR AT TEGEL SOUTH SHOULD BE SET AT LEVELS

SIMILAR TO THOSE AT FRG AIRPORTS.

WHILE SUPPORTING SOME INCREASES, THE ALLIES
HAVE RESISTED RAISING THE RATES TO FRG LEVELS IN LINE
WITH POLICY OF KEEPING ALL COST ELEMENTS
IN BERLIN CIVIL AIR AS LOW AS POSSIBLE. ALSO, FACILI-
TIES AT TEMPELHOF ARE NOT UP TO THOSE AT RECENTLY
CONSTRUCTED FRG AIRPORTS.

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5. THE ABOVE WAS REFLECTED IN THE VIEWS OF DR. JIRKA,
THE FRG REPRESENTATIVE ON BCATAG, WITH WHOM CAA'S MET
ON APRIL 22. CAAS INFORMED JIRKA THAT, AS AGREED
DURING THE FEBRUARY FARE INCREASE DISCUSSIONS, WE HAD
BEEN GIVING SERIOUS CONSIDERATION TO THE BFG
APPLICATION, AND HAD OBTAINED FIGURES ON ITS COST
IMPACT TO THE BERLIN CARRIERS. AIRPORT FEES AND
RENTALS WERE A NOT INCONSIDERABLE COST ITEM IN THE
AIRLINE ACCOUNTS AND THE CAAS DOUBTED THAT THE
INCREASES AS PROPOSED BY THE BFG COULD BE ABSORBED BY
THE CARRIERS. THE SITUATION WAS AGGRAVATED BY THE
CONTINUING LOW LEVEL OF PASSENGERS ON THE IGS AND BY
HIGH FUEL COSTS. THE CAAS COULD NOT GIVE ASSURANCES
THAT, IF THE INCREASES WERE APPROVED, THE AIRLINES
WOULD NOT APPLY FOR A FURTHER INCREASE IN PASSENGER
FARES.

6. DR. JIRKA EXPRESSED GREAT DISAPPOINTMENT AT THESE
PRELIMINARY VIEWS. HE SAID THAT THE MATTER OF THE
BFG'S BUDGETARY PROBLEMS WAS OF CONSIDERABLE
IMPORTANCE TO THE FRG. HE HAD BEEN ABLE TO CONVINCE
HIS SUPERIORS IN THE FONOFF AND IN OTHER MINISTRIES
TO ACCEPT THE FEBRUARY IGS FARE INCREASE ONLY THROUGH
HIS PERSONAL ASSURANCES THAT PROMPT AND SYMPATHETIC
CONSIDERATION BY THE ALLIES OF THE BFG'S PROPOSED FEE
AND RENTAL INCREASES WOULD ACTUALLY MEAN SOMETHING.
HE THOUGHT THE CAAS' REMARKS MOST DISCOURAGING AND
FELT SURE HE WOULD HAVE GREAT DIFFICULTIES IN ANY
FUTURE FARE INCREASE APPLICATIONS IF SOMETHING WERE
NOT DONE ABOUT BERLIN AIRPORT FEES AND RENTALS.

7. DR. JIRKA DID NOT EXPRESS ANY GREAT CONCERN OVER
THE POSSIBILITY THAT PASSENGER FARES MIGHT RISE SOONER
OR LATER IF FEES AND RENTALS WERE INCREASED; HIS
EMPHASIS WAS ENTIRELY ON THE BFG PROBLEM. WHILE HE
WOULD NOT WISH TO BE QUOTED, HE THOUGHT THAT WHEN AND
IF A FURTHER IGS PASSENGER FARE INCREASE WERE TO COME
ABOUT, THE FRG WOULD NOT OBJECT TO AN INCREMENT TO

THE FARES TO COVER THE COST TO THE CARRIERS OF THE INCREASED FEES AND RENTALS. IN CONCLUSION JIRKA URGED THE CAAS TO TAKE IMMEDIATE ACTION IF POSSIBLE ON THE LIMITED OFFICIAL USE

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FEES AND RENTALS. IT WAS DISAPPOINTING, HE THOUGHT, THAT TWO MONTHS HAD GONE BY SINCE THE FARE INCREASE AND THE CAAS HAD STILL NOT APPROVED THE NEW FEES AND RENTALS.

8. IN SUBSEQUENT DISCUSSION AMONG CAAS, A COMPROMISE PROPOSAL FOR CONSIDERATION OF CAPITALS WAS WORKED OUT. IT WAS BELIEVED THIS MIGHT SATISFY THE FRG AND THE BFG, AND WOULD BE MORE ACCEPTABLE TO THE AIRLINES:

(A) AUTHORIZE AN INCREASE IN LANDING FEES FOR IGS FLIGHTS TO DM 8.00 INSTEAD OF 8.50.

(B) LANDING FEES FOR INTERNATIONAL FLIGHTS SHOULD REMAIN THE SAME AS FOR IGS FLIGHTS UNTIL NOVEMBER 1, A DATE WHICH COINCIDES BOTH WITH THE OPENING OF TEGEL SOUTH AND THE END OF THE CHARTER CONTRACT SEASON. THEY WOULD THEN BE RAISED TO THE REQUESTED LEVEL OF DM 11.00 (SAME AS IN THE FRG).

(C) PARKING FEES: APPROVE AS REQUESTED.

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(D) RENTALS: AUTHORIZE INCREASE OF 20 PER CENT
INSTEAD OF 33-1/3.

(E) PASSENGER SERVICE CHARGE: DISAPPROVE THE
INCREASE AND THE CHANGE IN COLLECTION METHOD.
FIRST, BECAUSE PAYMENT OF THIS CHARGE IS
UNDER LITIGATION IN THE FRG AND SECOND, IT
IS A VERY MINOR SOURCE OF INCOME TO THE BFG
BUT A NUISANCE FOR THE CARRIERS.

(F) FINALLY, THE CAAS WOULD INFORM THE FRG
OFFICIALS CONCERNED THAT THE ALLIES WOULD BE
PREPARED TO AUTHORIZE THE FEES AND RENTALS
IN THE FULL AMOUNT OF THE INCREASES PROPOSED
BY THE BFG AFTER TEGEL SOUTH IS OPEN, USED
BY ONE OR MORE OF THE IGS CARRIERS AND THE
BFG IS ACTUALLY INCURRING THE HIGHER
OPERATIONS COST AT THE NEW TERMINAL.

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9. COMMENT: IN SPITE OF THE COMPLAINTS WHICH PANAM
HAS MADE AND UNDOUBTEDLY WILL MAKE IF INCREASES IN
FEES AND RENTALS ARE APPROVED, EMBASSY DOUBTS THAT THE
INCREASES WOULD HAVE SERIOUS EFFECTS ON
PANAM. FURTHERMORE, PANAM IS VERY LIKELY TO HAVE THE
OPPORTUNITY TO PASS ON TO THE PASSENGERS OR OTHERWISE
NEUTRALIZE THE EFFECTS OF THE INCREASE WITHIN THE NEXT
HALF YEAR, EITHER IN CONNECTION WITH A POSSIBLE FUEL
SURCHARGE, OR WITH THE ARRANGEMENTS PANAM IS SEEKING
TO WORK OUT WITH THE BERLIN SENAT TO COVER THE
INCREASED OPERATI ONS COSTS AT TEGEL SOUTH. EMBASSY
CAA AGREED TO CONSIDER THE COMPROMISE AND WE STRONGLY
SUPPORT POINTS (B) AND (E) IN THE PREVIOUS PARAGRAPH.

IN ANY CASE, EMBASSY STRONGLY RECOMMENDS
THAT CAAS AUTHORIZE SOME INCREASE IN FEES AND RENTALS
AS THE FRG HAS REQUESTED AND WOULD PREFER THE DEPT'S
APPROVAL FOR FLEXIBILITY IN NEGOTIATING EITHER THE
COMPROMISE OR RATES CLOSER TO THE BFG'S APPLICATION.

10. STATE 85230 RECEIVED AFTER THE ABOVE WAS DRAFTED.
RE PARA 5, PAA HAS TOLD US THAT NEITHER THE FEBRUARY 15
FARE INCREASE NOR THE CALCULATIONS ON THE PROPOSED
INCREASE TO COVER FUEL COSTS TOOK INTO ACCOUNT THE
BFG'S MOST RECENT APPLICATION (PARA 2 ABOVE) FOR NEW
FEES AND RENTALS. THE UK CAA LIKEWISE INFORMED US ON
APRIL 4, THAT BA'S PRESENTATION DID NOT COVER THE
BFG'S PROPOSAL (PARA 3, BONN 5559). IN FACT, PAA
OFFICIAL CARLSON TOLD US CAB PROCEDURES PRECLUDED AIR-
LINES FROM INCLUDING ANTICIPATED (NOT YET REALIZED)
OPERATING OVERHEADS IN FARE INCREASE APPLICATIONS.
WE, NONETHELESS, SEE SOME MERIT TO INCREASING FUEL
SURCHARGE CALCULATIONS SUFFICIENTLY TO COVER THE RATES
REQUESTED BY THE BFG. THERE IS GOOD REASON TO BELIEVE
JIRKA PERSONALLY WOULD FIND THIS SOLUTION FAR MORE
DESIRABLE THAN PROTRACTED NEGOTIATION OVER FEE AND
RENTAL LEVELS. AT THE SAME TIME, WE WOULD RESOLVE A
LONG STANDING AND SENSITIVE PROBLEM FROM THE GERMAN
POINT OF VIEW AND CLEAR THE AIR FOR A MORE SHARPLY
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FOCUSED QUADRIPARTITE APPROACH TO THE IMPACT OF FUEL
COSTS ON THE IGS. ACTION REQUESTED: THE DEPARTMENT'S
VIEWS WOULD BE APPRECIATED AS SOON AS POSSIBLE SO THAT
MATTER MAY BE CONSIDERED BY CAA'S AND IN BONN GROUP
IN CONNECTION WITH THE PROPOSED FUEL SURCHARGE.

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